



# Expert Forum

The Eurosystem solutions regarding the instant payments' settlement based on SCT Inst scheme

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## Twinning Project UA 19 ENI FI 01 19

Strengthening the institutional and regulatory capacity of the National Bank of Ukraine to implement EU-Ukraine Association Agreement

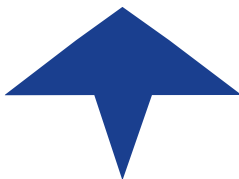
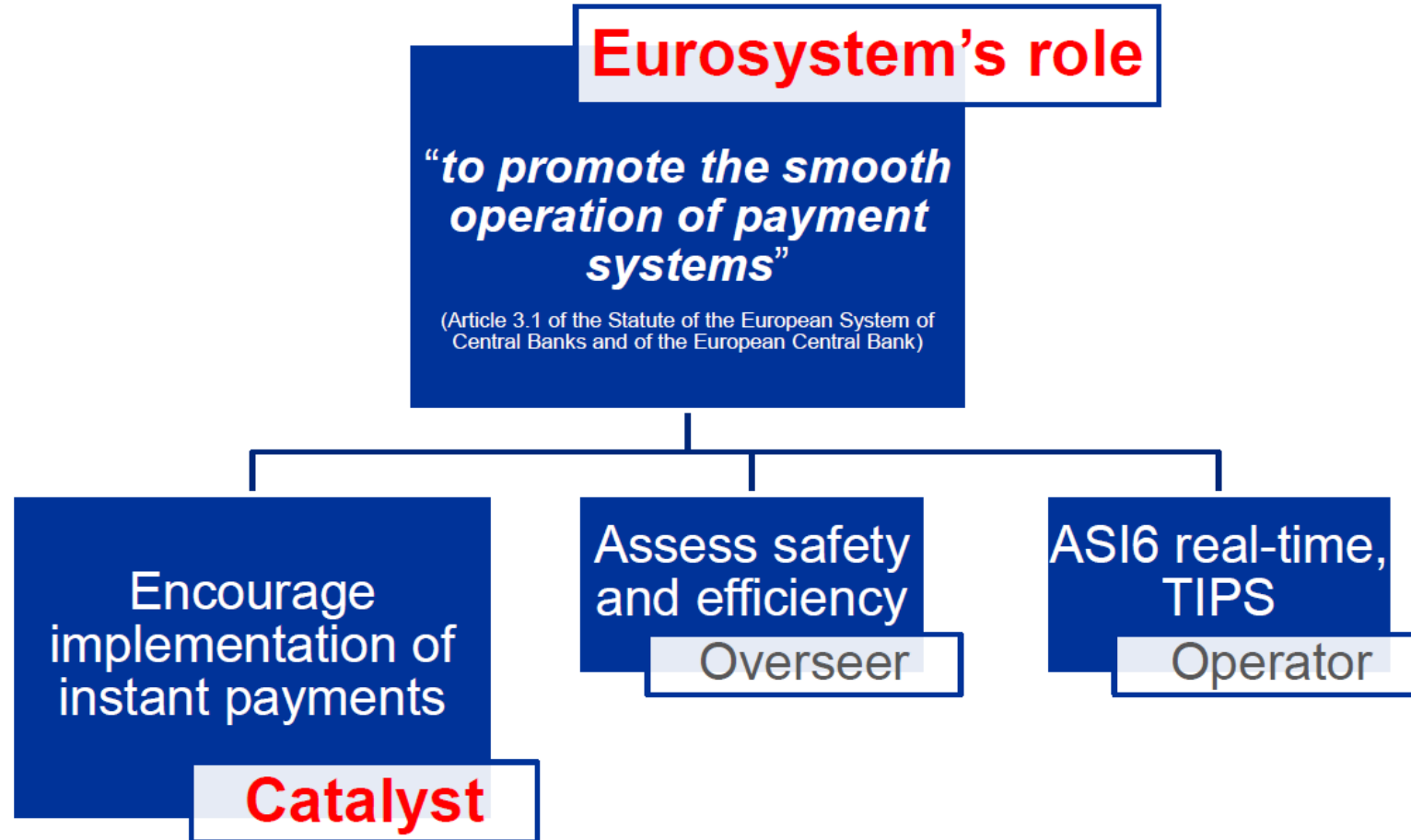




**Instant payments - bumpy road to the new normal**



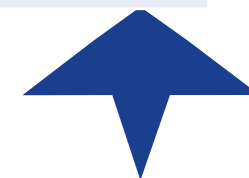
# The Eurosystem's role



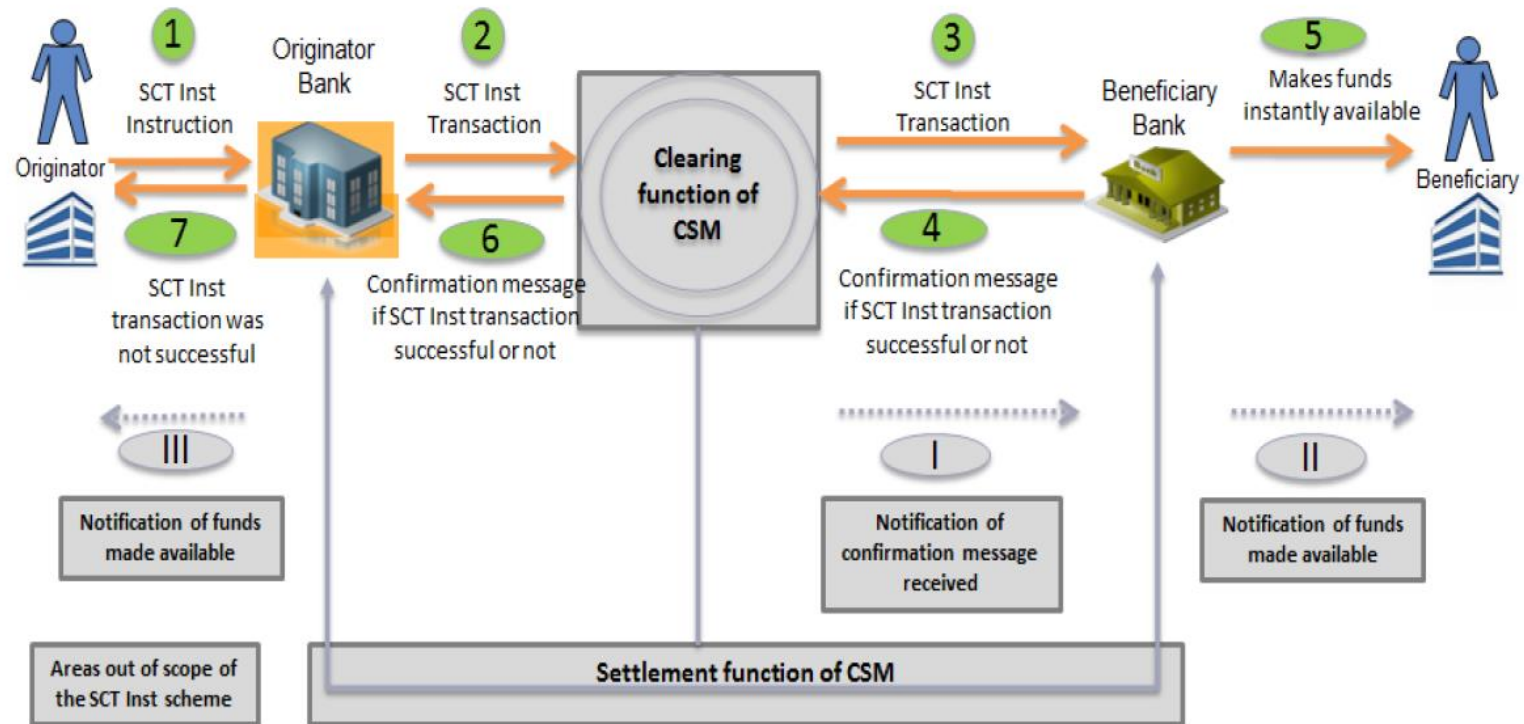
# The “layers” of instant payments



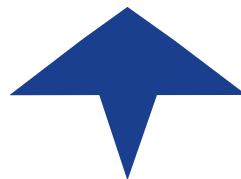
Layer	Description
End-user solutions	<ul style="list-style-type: none"><li>• Cooperatively or competitively developed on the market</li><li>• Expected to enable pan-European reach through interoperability</li></ul>
Scheme layer	<ul style="list-style-type: none"><li>• Instant SEPA Credit Transfer (SCT Inst) scheme as basis for pan-European euro instant payment solutions based on credit transfer</li></ul>
Clearing layer	<ul style="list-style-type: none"><li>• Intrabank</li><li>• Bilateral interbank</li><li>• ACH</li><li>• EACHA framework</li></ul>
Settlement layer	<ul style="list-style-type: none"><li>• Deferred net settlement (with cash or securities collateral)</li><li>• Real-time gross settlement (in RTGS system or a dedicated module of it)</li></ul>



# The SCT Inst rulebook by the EPC



*The (close to) immediate transfer of funds to the beneficiary relies on the certainty of inter-PSP settlement (be it performed in real time or delayed inter-PSP settlement based on pre-funding to mitigate credit risk)*



# Clearing and settlement arrangements for instant payments

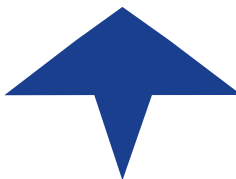


ECB dialogue with stakeholders from the clearing industry to **facilitate instant clearing interoperability and pan-European reach** via harmonised

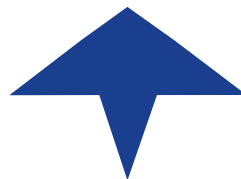
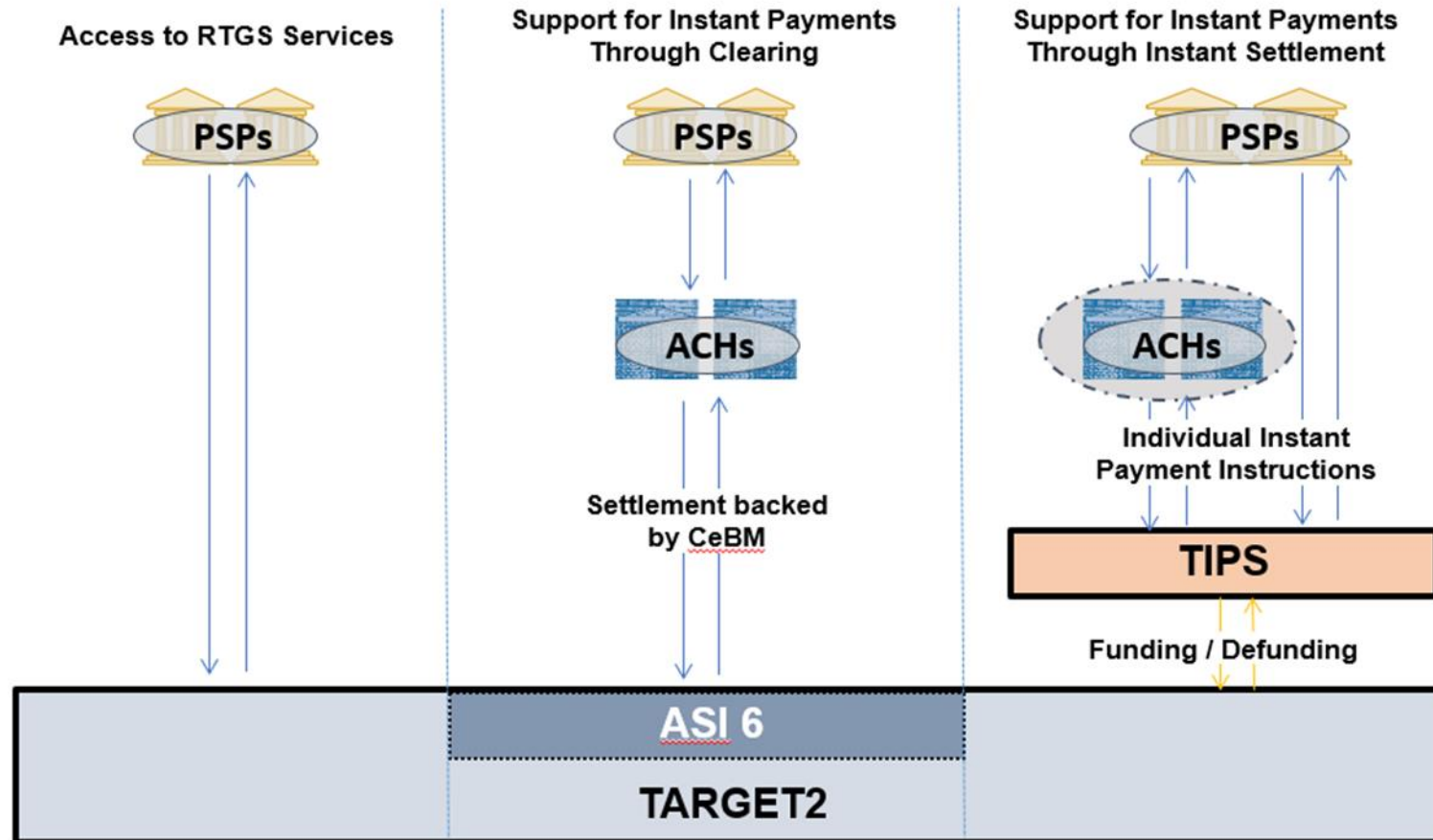
- settlement mechanisms
- risk mitigation
- access conditions

Eurosystem has in its operator role enhanced its current TARGET2 settlement module (**AS16 real-time**) to cater for the needs of the clearing industry and developed a new service for the settlement of instant payments (**TIPS**)

**target** | instant  
services | TIPS
















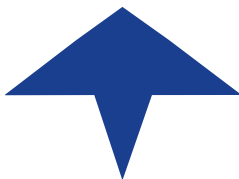
# Co-existence of Payment Services



# CSM organisations compliant with the EPC SEPA payment schemes



	Overseen by	SCT scheme	SDD Core scheme	SDD B2B scheme	SCT Inst scheme	
	Banca d'Italia	Banca d'Italia	✓	✓	✓	BI-COMP and through TIPS
	Banca Natională a României	Banca Natională a României				through TIPS
	Banco de España	Banco de España				through TIPS
	Banco de Portugal	Banco de Portugal				through TIPS
	Bank of Greece	Bank of Greece				through TIPS
	Bank of Lithuania	Bank of Lithuania				through TIPS
	CENTROlink	Lietuvos Bankas	✓		✓	
	Danmarks Nationalbank	Danmarks Nationalbank				through TIPS
	De Nederlandsche Bank	De Nederlandsche Bank				through TIPS
	Deutsche Bundesbank	Deutsche Bundesbank	✓	✓	✓	through TIPS
	DIAS	Bank of Greece	✓	✓	✓	✓
	EBA CLEARING	European Central Bank	✓	✓	✓	✓
	Eesti Pank	Eesti Pank				through TIPS



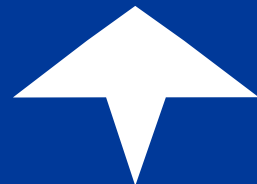




# The ECB (Eurosystem) on the role of the central bank

Instant Payments & TIPS

Why?

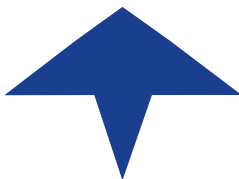




target | T2S  
services

target | TIPS  
services

target | T2  
services



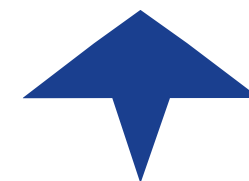
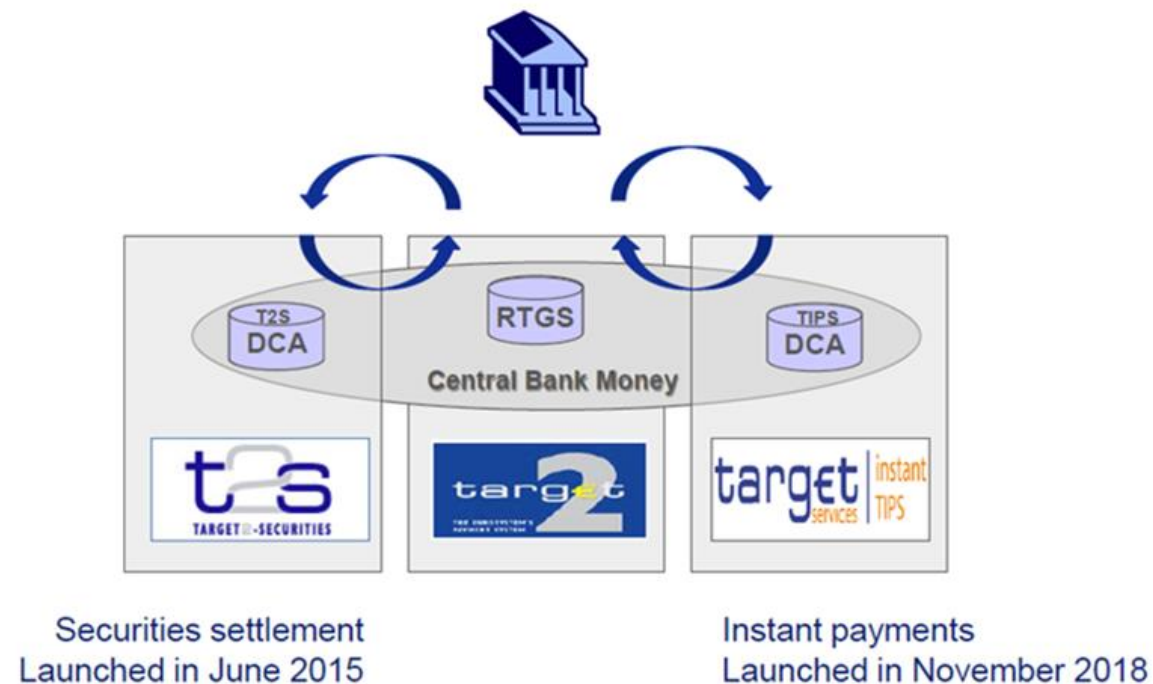
## Liquidity management

- You may use TARGET2 to fund liquidity to TIPS
- TIPS will have the same business date as TARGET2
- TIPS account balances could be counted in minimum reserve computations

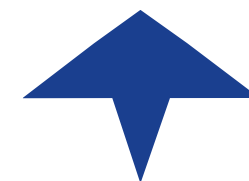
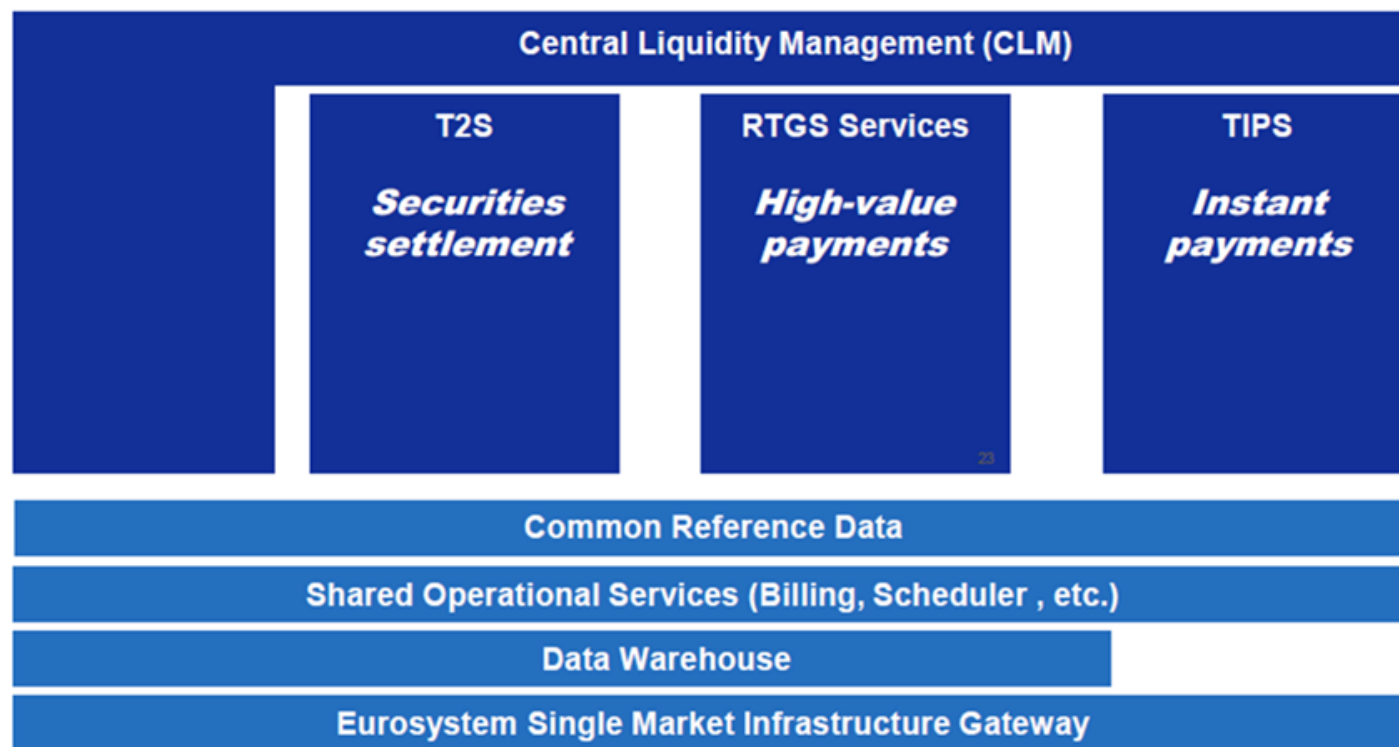


- Usage of collateral and automated liquidity management could be available in the context of T2-T2S consolidation

# TARGET2 operational day



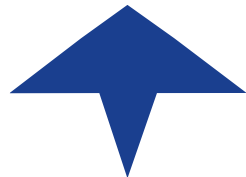
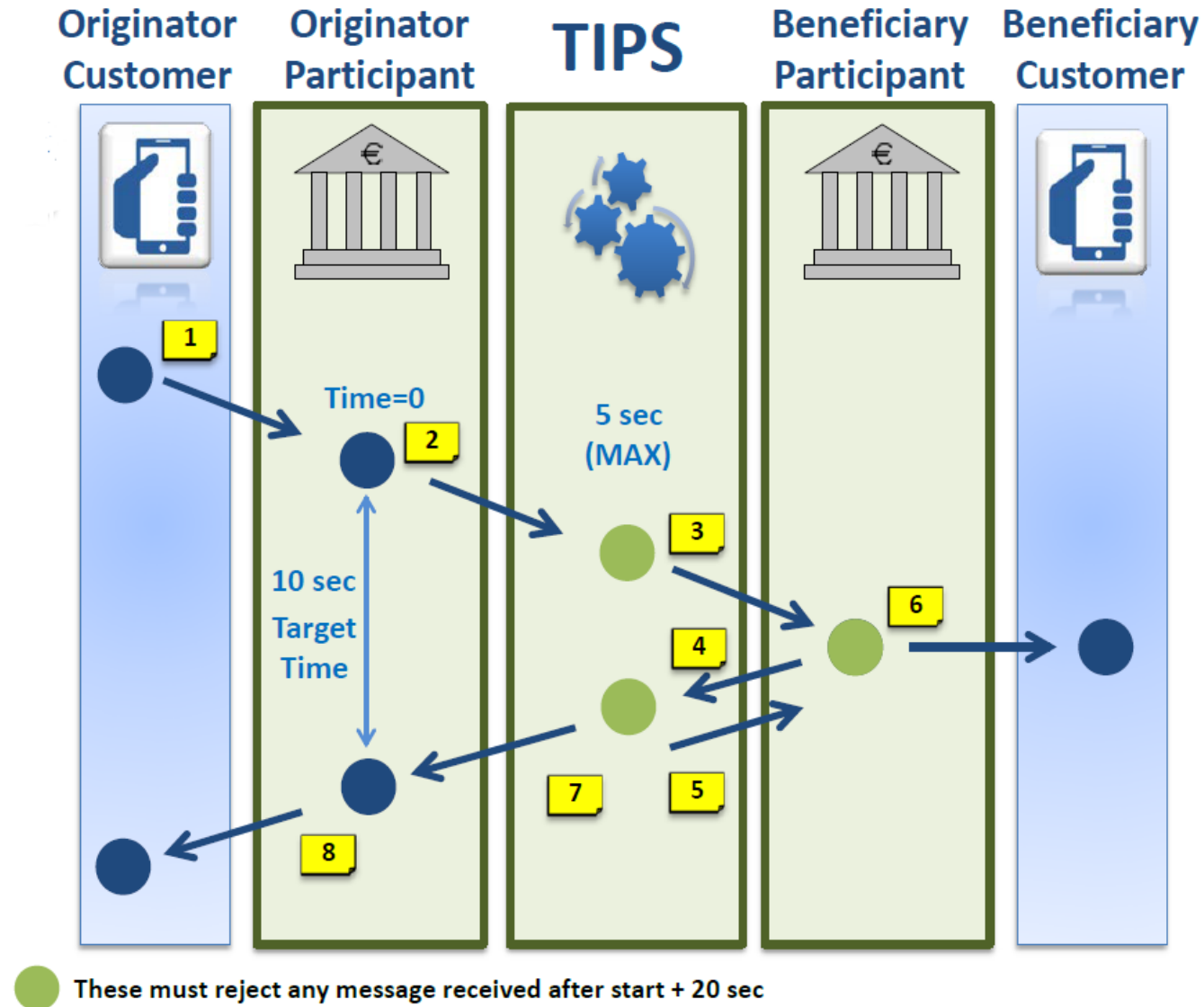
# T2/T2S consolidation





target | TIPS  
services

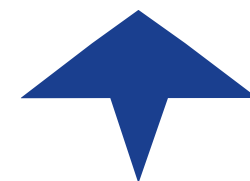
# Settlement of instant payments





## TIPS: Settlement service and availability

- ▶ **HIGH VOLUMES:** TIPS is able to process 500 payments per second (2000 at peak rate), 43 million payments a day, thanks to sequential, in-memory processing
- ▶ **LOW LATENCY:** The whole process between the sending of the IP to TIPS to the sending of the IP settlement confirmation to both the Originator and the Beneficiary should not take more than 5 seconds
- ▶ **HIGH AVAILABILITY:** TIPS does not foresee maintenance windows and is able to process payments 24/7/365. Overall availability is 99,9% (no more than 2,16 hours of unavailability on a quarterly basis)
- ▶ **RESILIENCE:** Handling application failures without stopping the service
- ▶ **SCALABILITY:** TIPS shall scale up to handle, with the same execution time, a doubling of the instant payments peak throughput in one year up to the maximum throughput of 2000 incoming instant payment transactions per second





## Principles: Foundation of the Service



Same **participation criteria** as for TARGET2



Instant payments settlement in **Central Bank Money**



**24/7/365** operating hours



Operated on a **full cost-recovery** basis



Supports participants to comply with the **SCT Inst scheme**



**Multi-currency** technical capability



## Become a TIPS Participant?

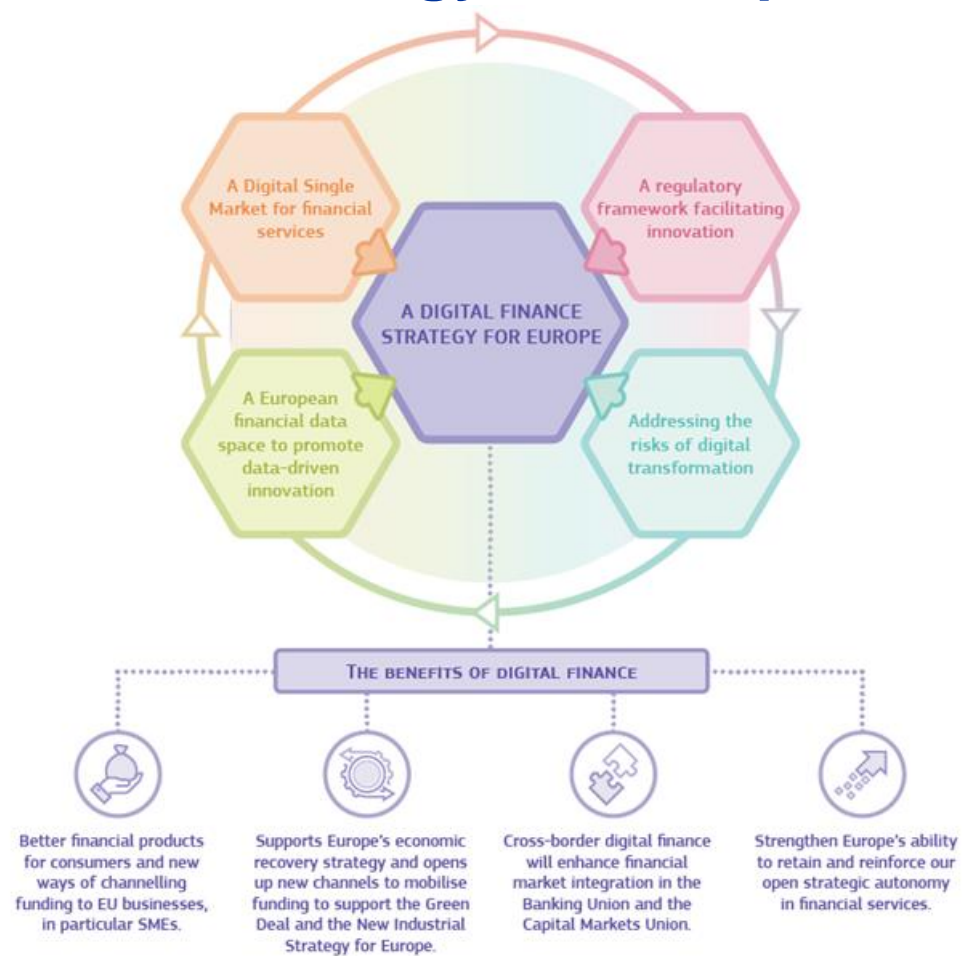
- Participation rules same as those applied in **TARGET2**
- TIPS Participant may open either one account or many accounts to service your clients
- TIPS Participant may let other parties (ACHs, technical service providers) instruct on your behalf



## Digital finance package

1. A Digital Finance Strategy for Europe
2. The Retail Payments Strategy

# A Digital Finance Strategy for Europe





## The Retail Payments Strategy

### Objectives

- Citizens and companies in Europe to benefit from a broad and diversified range of world-class payment services and instruments, supported by a competitive and innovative payments market and relying on safe, efficient and accessible infrastructures.
- Enable **home-grown and pan-European payment solutions** in order to support Europe's open strategic autonomy.
- Support the international role of the euro by contributing to **improving the cost-efficiency of international payments**, including remittances.



## The Retail Payments Strategy at glance

### Promote cross-border European payment solutions

- Support roll-out instant payments as the new normal, including by legislation if needed
- More choice, more diversification, strengthened resilience
- Broaden acceptance network for digital payments (shops, public administrations etc.)
- Maintain availability and acceptance of cash
- Support work towards issuance of a digital euro

### Develop a competitive and innovative payments market

- Support further the development of open banking
- Ensure that the legal framework covers all important players in the payments ecosystem including technology companies
- Further align the EU legal framework for retail payments (PSD2 and EMD2)
- Ensuring a high level of consumer protection, including for instant payments
- Ensure wide adoption of highest security standards



## The Retail Payments Strategy at glance

### Better payment and infrastructure

- Reinforce inter-operability of infrastructures processing instant payments
- Ensure direct access by non-bank players to all payment systems, if necessary by revising existing legislation
- Eliminate restrictions of access to essential technical infrastructures to facilitate mobile contactless payments

### More efficient international payments supporting the international role of the euro

- Support cheaper international payments, including remittances
- Adoption of global messaging standards
- Support links between payments systems in different jurisdictions
- Take regulatory action when necessary (reduce time to process transactions, increase transparency)
- Support regional payments initiatives through EU development policy



## European Payments Initiative (EPI)

**EPI** European  
Payments  
Initiative





## EPI - Founding partners





## European Payments Initiative - EPI

The ambition of EPI is to create a unified, innovative pan-European payment solution leveraging Instant Payment/SEPA Instant Credit Transfer (SCT Inst), which offers a card for consumers and merchants across Europe, a digital wallet and P2P payments.

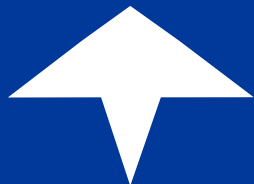
The solution aims to become a new standard in payments for European consumers and merchants across all types of retail transactions including in-store, online, cash withdrawal and "peer-to-peer", as an alternative to existing international payment solutions and schemes.



# The Bank of Lithuania on the role of the central bank

Competitive payment sector

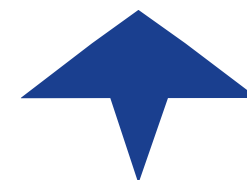
What and how?





# Competitive payment sector

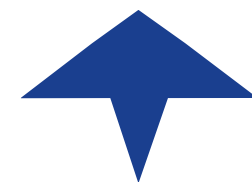
- ▶ **Goal:** efficient, easy-to-use and price-competitive payment methods
- ▶ **Focus:**
  - ▶ instant payments
  - ▶ new services under the PSD2
- ▶ **BoL's measures:**
  - ▶ **Payments infrastructure:** open access for non-credit institutions
  - ▶ **Standardisation:** preventing excessive market fragmentation
  - ▶ **Catalyst:** coordinating the preparation of the market for new requirements





# CENTRŌlink





SEPA via central bank

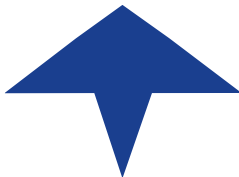


# Benefits of CENTROLink

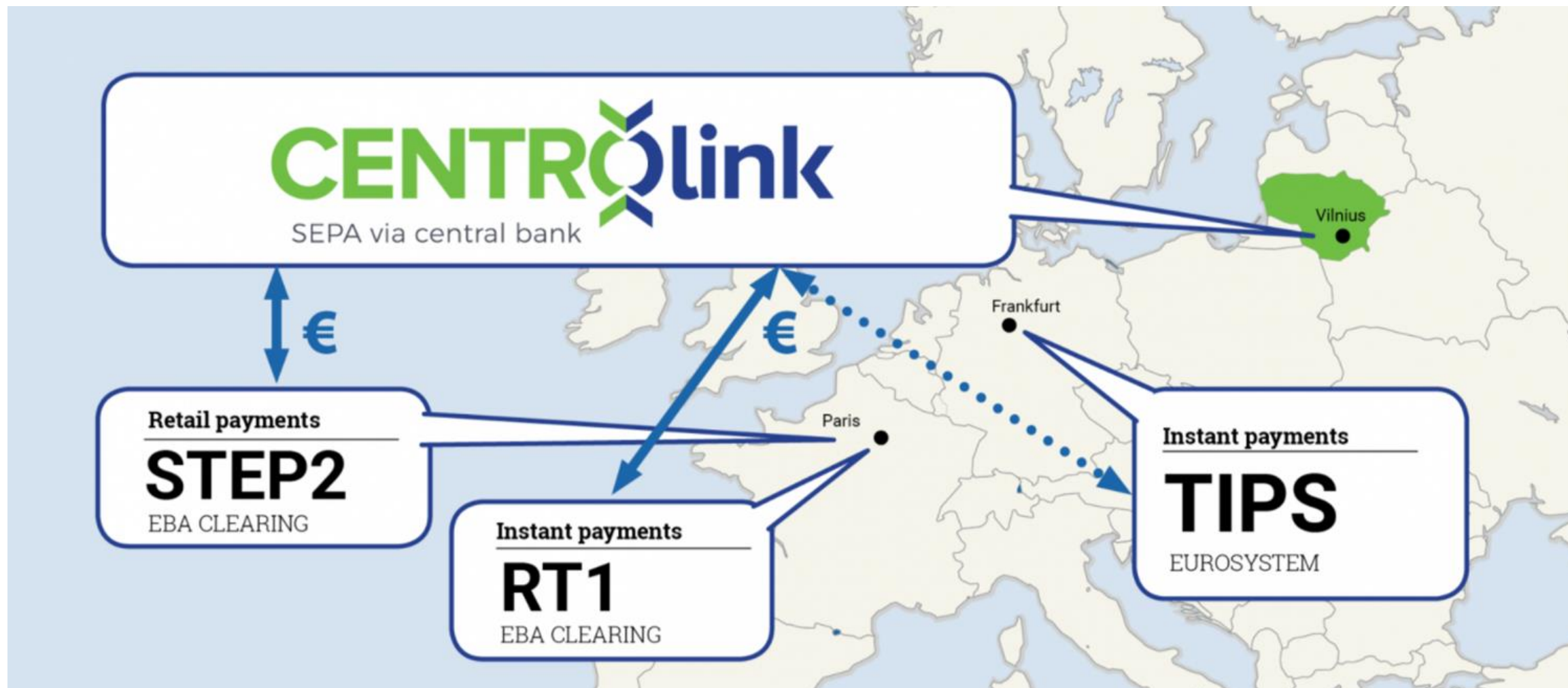


- **SEPA services (SCT, SDD and SCT Inst) for all payment market participants**
- **Real-time processing** of transactions (not instant payments for end-users)
- **Full SEPA reachability**
- **Technical access for non-banks**

-  EU Member State with euro as currency
-  EU Member State with currency other than the euro
-  Non-EU SEPA country
-  Non-EU non-SEPA country



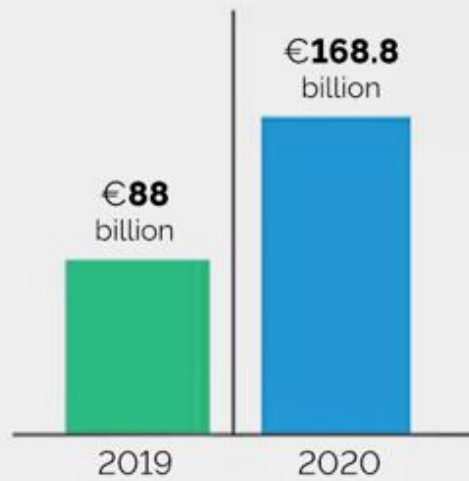
# CENTROlink and SEPA



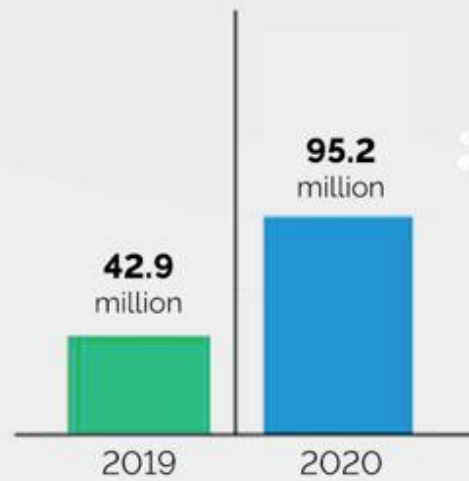
# x2 annual growth



## Turnover



## Volume



## Number of clients

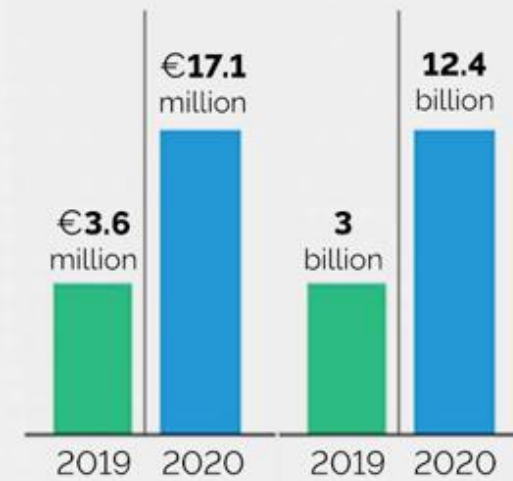


## Instant payments

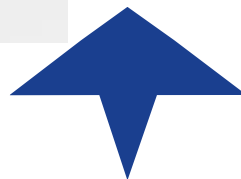
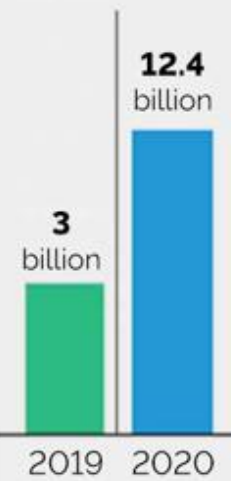
26 payment service providers



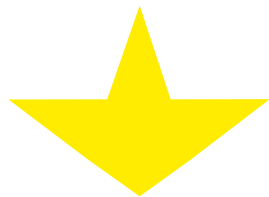
### Volume



### Turnover







**Thank you for your attention!**

**Q&A**

